

SUTTONS BAY PUBLIC SCHOOLS
SUTTONS BAY, MICHIGAN
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2005

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Lewis & Knopf, CPAs, P.C.

Serving You with Trust and Integrity

July 26, 2005

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Suttons Bay Public Schools

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Suttons Bay Public Schools, as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Suttons Bay Public Schools' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Suttons Bay Public Schools as of June 30, 2005, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report under separate cover dated July 26, 2005 on our consideration of the School District's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages II - VII and 19, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Suttons Bay Public Schools' basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lewis & Knopf P.C.

LEWIS & KNOFF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

SUTTONS BAY PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Suttons Bay Public Schools, a K-12 school District located in Leelanau County, Michigan, is in its second year of implementation of the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34) with the enclosed financial statements. The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be the Suttons Bay Public Schools' Administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2005.

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

Fund Financial Statements:

The fund level financial statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service and Athletics Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

District Wide Financial Statements:

The District wide financial statements are full accrual basis statements. They report all of the District's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and obligations of the District are reported in the Statement of Net Assets of the District wide financial statements.

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

SUTTONS BAY PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

District Wide Financial Statements: (Continued)

These two statements report the Suttons Bay Public Schools net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the School District’s financial health or financial position. Over time, increases or decreased in the School District’s net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District’s operating results. However, the School District’s goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompasses all of the School District’s services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

The School District as Trustee – Reporting the School District’s Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District’s fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the School District’s other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

SUMMARY OF NET ASSETS:

The following summarizes the net assets at the fiscal years ended June 30, 2005 and 2004:

NET ASSETS SUMMARY

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
Current Assets	\$2,228,973	\$1,846,601
Non-Current Assets	<u>11,634,423</u>	<u>11,871,551</u>
<u>TOTAL ASSETS</u>	<u>\$13,863,396</u>	<u>\$13,718,152</u>
<u>LIABILITIES</u>		
Current Liabilities	\$2,123,577	\$2,112,120
Long-Term Liabilities	<u>11,876,792</u>	<u>12,849,684</u>
Total Liabilities	\$14,000,369	\$14,961,804
<u>NET ASSETS</u>		
Invested in Capital Assets - Net of Related Debt	(1,255,971)	(1,887,144)
Restricted - Debt Service	140,285	114,249
Restricted - Capital Projects	92,626	8,433
Unrestricted	<u>886,087</u>	<u>520,810</u>
Total Net Assets (Deficit)	<u>(\$136,973)</u>	<u>(\$1,243,652)</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$13,863,396</u>	<u>\$13,718,152</u>

SUTTONS BAY PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

RESULTS OF OPERATIONS:

For the fiscal years ended June 30, 2005 and 2004, the District wide results of operations were:

	<u>2005</u>	<u>2004</u>
<u>REVENUES</u>		
<u>General Revenues:</u>		
Property Taxes Levied for General Operations	\$1,874,585	\$1,658,908
Property Taxes Levied for Debt Service	1,574,168	1,503,847
Property Taxes Levied for Capital Projects	122,466	116,647
State of Michigan Unrestricted Foundation Aid	4,675,610	5,124,200
Other General Revenues	119,679	105,208
Total General Revenues	<u>\$8,366,508</u>	<u>\$8,508,810</u>
<u>Operating Grants:</u>		
Federal	1,113,898	917,187
State of Michigan	587,653	551,592
Other Operating Grants	137,296	159,165
Total Operating Grants	<u>\$1,838,847</u>	<u>\$1,627,944</u>
<u>Charges for Services:</u>		
Food Service	133,368	143,110
Athletics	79,067	68,368
Other Charges for Services	390,070	256,486
Total Charges for Services	<u>\$602,505</u>	<u>\$467,964</u>
Total Revenues	<u>\$10,807,860</u>	<u>\$10,604,718</u>
<u>EXPENSES</u>		
Instruction & Instructional Support	4,782,451	4,888,527
Support Services	3,169,967	3,398,063
Community Services	186,118	142,365
Food Service	278,731	268,836
Athletics	299,659	273,553
Interest on Long-Term Debt	689,812	941,209
Depreciation	294,443	294,443
Total Expenses	<u>\$9,701,181</u>	<u>\$10,206,996</u>
<u>INCREASE IN NET ASSETS</u>	<u>\$1,106,679</u>	<u>\$397,722</u>
<u>BEGINNING NET ASSETS (DEFICIT)</u>	<u>(1,243,652)</u>	<u>(1,641,374)</u>
<u>ENDING NET ASSETS (DEFICIT)</u>	<u><u>(\$136,973)</u></u>	<u><u>(\$1,243,652)</u></u>

SUTTONS BAY PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

GOVERNMENT- WIDE FINANCIAL ANALYSIS

Analysis of Financial Position:

During the year ended June 30, 2005, the District's Total Net Assets increased by \$1,106,679 to a total of \$(136,973). The largest portion of the net assets are the districts investment in capital assets net of related debt. Net assets (invested in capital assets, net of related debt) increased by \$631,173 during the year due to purchases of new capital assets and principal payments on related debt exceeding depreciation. The districts Unrestricted Net Assets increased by \$365,277 during the year and the restricted portion of the net assets increased by \$110,229. The restricted Net Assets consist of the Investment in Capital Assets-net of related Debt, the restricted debt retirement funds that may only be used to pay bonded debt and restricted capital projects funds that may only be used to fund capital projects. The unrestricted net assets may be used to fund the educational services provided to students.

Analysis of Results of Operations

The District's overall expenses exceeded its revenues for the year by \$1,106,679. The total revenues increased by \$203,142 or 2% over last years amounts. Major changes in revenue were due to increased federal revenue, property taxes and Grand Traverse band tutoring. Expenditures decreased by \$505,815. Major changes were due to decreases in accrued interest on long-term debt and the purchase of 2 new buses.

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS

Analysis of Financial Position

The focus of the District's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the district's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a governments net resources available for spending at the end of the fiscal year. An analysis of changes for the governmental funds is as follows:

General Fund

The district's general fund is the chief operating fund of the district. Fund balance for the general fund increased by \$338,444 during the year with the increase coming primarily in cash. Revenues for the year increased by \$111,098 primarily from increases in property taxes, Grand Traverse band tutoring and federal grants. Expenditures and other financing uses increased by \$50,268 due to increases in salaries and fringe benefits. The major source of general fund revenues is state aid and taxes. An analysis of them is as follows:

1. State of Michigan Unrestricted Aid (Net State Foundation Grant)

The State of Michigan aid, unrestricted, is determined with the following variables:

- a. State of Michigan State Aid Act per student foundation allowance
- b. Student Enrollment - Blended at 75 percent of current year's fall count and 25 percent of prior year's winter count
- c. The District's non-homestead tax levy

2. Per Student, Foundation Allowance:

Annually, the State of Michigan establishes the per student foundation allowance. The Suttons Bay Public Schools foundation allowance was \$6,700 per student for the 2004-2005 school year.

3. Student Enrollment:

The District's student enrollment for the fall count of 2004-2005 was 1,002 students. A decrease of 44 students from the prior year.

SUTTONS BAY PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS (Continued)

Analysis of Financial Position (Continued)

General Fund (Continued)

4. Property Taxes Levied For General Operations (General Fund Non-Homestead Taxes)

The District levies 18 mills of property taxes for operations (General Fund) on Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property tax revenue for the 2004-2005 fiscal year was \$1,815,960. An increase of \$157,052 from the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS:

GENERAL FUND BUDGET VS. ACTUAL

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Original & Final Budget %</u>	<u>Variance Actual & Final Budget %</u>
Revenue	\$8,175,921	\$8,570,251	\$8,747,524	4.82	2.07
Expenditures	8,175,921	8,596,720	8,409,080	5.15	2.18
<u>TOTAL</u>	<u>\$0</u>	<u>(\$26,469)</u>	<u>\$338,444</u>		

ANALYSIS OF BUDGETS:

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, Suttons Bay Public Schools amends its budget during the school year. For fiscal year June 30, 2005, the budget was amended in June, 2005. The June, 2005 budget amendment was the final budget for the fiscal year. Significant variations between the original and final budget for revenues were due to an increase in state aid from the original budget. Significant variations between original and final budget for expenditures were due to an increase in technology staff and community education budgets.

SUTTONS BAY PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

CAPITAL ASSET AND DEBT ADMINISTRATION

A. Debt, Principal Payments

The District made principal payments on bonded, long term debt obligations that reduced the amount of the District's long term liabilities as follows:

	Principal Balance 7-01-04	Increases 6-30-05	Principal Payments 6-30-05	Principal Balance 6-30-05
Bonds Payable	\$13,455,368	\$0	\$861,441	\$12,593,927
Contracts & Loan Payable	303,327	109,984	116,844	296,467
Sick Days Payable	38,523	0	24,969	13,554
<u>Total Long-Term Bond Obligations</u>	<u>\$13,797,218</u>	<u>\$109,984</u>	<u>\$1,003,254</u>	<u>\$12,903,948</u>

Significant changes was the purchase of two new buses.

B. Capital Assets

The district's net investment in capital assets decreased by \$237,128 during the fiscal year. This can be summarized as follows:

	BALANCE JULY 1, 2004	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2005
Capital Assets	\$16,108,350	\$158,870	\$108,152	\$16,159,068
Less: Accumulated Depreciation	(4,236,799)	(395,998)	(108,152)	(4,524,645)
<u>Net Investment Capital Outlay</u>	<u>\$11,871,551</u>	<u>(\$237,128)</u>	<u>\$0</u>	<u>\$11,634,423</u>

Significant additions were the purchase of two new buses and the paving of the bus garage.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, Suttons Bay Public Schools.

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
STATEMENTS OF NET ASSETS
JUNE 30, 2005 AND 2004

	Governmental Activities	
	2005	2004
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents	\$448,281	\$356,473
Investments	718,679	275,309
Accounts Receivable	12,640	2,004
Due from Other Governmental Units	1,045,487	1,208,949
Inventory	3,886	3,866
Total Current Assets	<u>\$2,228,973</u>	<u>\$1,846,601</u>
<u>NON-CURRENT ASSETS</u>		
Capital Assets	16,159,068	16,108,350
Less: Accumulated Depreciation	(4,524,645)	(4,236,799)
Total Noncurrent Assets	<u>\$11,634,423</u>	<u>\$11,871,551</u>
<u>TOTAL ASSETS</u>	<u>\$13,863,396</u>	<u>\$13,718,152</u>
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	94,646	96,837
Accrued Expense	384,396	389,675
Salaries Payable	594,556	600,921
Deferred Revenue	22,823	77,153
Current Portion of Long-Term Obligations	1,027,156	947,534
Total Current Liabilities	<u>\$2,123,577</u>	<u>\$2,112,120</u>
<u>NON-CURRENT LIABILITIES</u>		
Noncurrent Portion of Long-Term Obligations	<u>11,876,792</u>	<u>12,849,684</u>
<u>TOTAL LIABILITIES</u>	<u>\$14,000,369</u>	<u>\$14,961,804</u>
<u>NET ASSETS</u>		
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	(1,255,971)	(1,887,144)
Restricted for:		
Debt Retirement	140,285	114,249
Capital Projects	92,626	8,433
Unrestricted	<u>886,087</u>	<u>520,810</u>
<u>TOTAL NET ASSETS (DEFICIT)</u>	<u>(\$136,973)</u>	<u>(\$1,243,652)</u>

See accompanying notes to the basic financial statements.

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
STATEMENTS OF ACTIVITIES
JUNE 30, 2005 AND 2004

FUNCTIONS/PROGRAMS	2005			2004
	Expenses	Charges For Services	Operating Grants and Contributions	Net (Expense) Revenue & Change in Net Assets
Governmental Activities:				Net (Expense) Revenue & Change in Net Assets
Instruction	\$4,782,451	\$32,257	\$1,705,129	(\$3,045,065)
Support Services	3,169,967	214,066	0	(2,955,901)
Community Services	186,118	143,747	0	(42,371)
Food Service	278,731	133,368	133,718	(11,645)
Athletics	299,659	79,067	0	(220,592)
Interest - Long-Term Obligations	689,812	0	0	(689,812)
Depreciation - Unallocated	294,443	0	0	(294,443)
TOTALS	\$9,701,181	\$602,505	\$1,838,847	(\$7,259,829)
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				3,571,219
State Aid				4,675,610
Investment Earnings				39,069
Grants and Contributions Not Restricted to				
Specific Programs				42,771
Miscellaneous				37,839
Total General Revenues and Transfers				\$8,366,508
Change in Net Assets				\$1,106,679
Net Assets - Beginning - As Restated (Deficit)				(1,243,652)
<u>Net Assets - Ending (Deficit)</u>				<u>(\$136,973)</u>

See accompanying notes to the basic financial statements.

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$265,937	\$182,344	\$448,281
Investments	635,828	82,851	718,679
Accounts Receivable	12,640	0	12,640
Due from Other Governmental Units	1,043,556	1,931	1,045,487
Due from Other Funds	22,789	9,775	32,564
Inventory	2,528	1,358	3,886
<u>TOTAL ASSETS</u>	<u>\$1,983,278</u>	<u>\$278,259</u>	<u>\$2,261,537</u>
<u>LIABILITIES</u>			
Accounts Payable	\$94,259	\$387	\$94,646
Due to Other Funds	9,775	22,789	32,564
Accrued Expenses	201,303	0	201,303
Salaries Payable	594,556	0	594,556
Deferred Revenue	22,823	0	22,823
Total Liabilities	\$922,716	\$23,176	\$945,892
<u>FUND BALANCES</u>			
Reserved For:			
Inventory	2,528	1,358	3,886
Debt Retirement	0	140,285	140,285
Capital Projects	0	92,626	92,626
Unreserved:			
Undesignated, Reported In:			
General Fund	1,058,034	0	1,058,034
School Service Funds	0	20,814	20,814
Total Fund Balances	\$1,060,562	\$255,083	\$1,315,645
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$1,983,278</u>	<u>\$278,259</u>	<u>\$2,261,537</u>

See accompanying notes to the basic financial statements.

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2005

Total Governmental Fund Balances:		\$1,315,645
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$16,159,068 and the accumulated depreciation is \$4,524,644		11,634,423
Accrued Interest on Long-Term Debt		(183,093)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Bonds Payable	12,593,927	
Contracts Payable	296,467	
Sick Days Payable	13,554	
Total	<u>12,903,948</u>	(12,903,948)
<u>TOTAL NET ASSETS -</u> <u>GOVERNMENTAL ACTIVITIES</u>		<u>(\$136,973)</u>

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	General	Other	Total
	Fund	Governmental	Governmental
	Fund	Funds	Funds
<u>REVENUES</u>			
Local Sources	\$2,363,685	\$1,926,618	\$4,290,303
Intermediate Sources	137,296	0	137,296
State Sources	5,251,899	11,364	5,263,263
Federal Sources	991,544	122,354	1,113,898
Total Revenues	<u>\$8,744,424</u>	<u>\$2,060,336</u>	<u>\$10,804,760</u>
<u>EXPENDITURES</u>			
Current:			
Instruction	4,776,877	0	4,776,877
Student Services	415,274	0	415,274
Instructional Support	261,119	0	261,119
General Administration	228,391	0	228,391
School Administration	550,973	0	550,973
Business Administration	135,993	0	135,993
Operation & Maintenance of Plant	759,601	0	759,601
Transportation	518,212	0	518,212
Support Services - Other	306,190	0	306,190
Community Services	186,118	0	186,118
Food Service	0	565,272	565,272
Debt Service	0	1,563,310	1,563,310
Capital Projects	0	40,000	40,000
Total Expenditures	<u>\$8,138,748</u>	<u>\$2,168,582</u>	<u>\$10,307,330</u>
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	\$605,676	(\$108,246)	\$497,430
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers from (to) Other Funds	(208,282)	208,282	0
Other Transfers	(58,950)	0	(58,950)
Total Other Financing Sources (Uses)	<u>(\$267,232)</u>	<u>\$208,282</u>	<u>(\$58,950)</u>
Net Change in Fund Balance	\$338,444	\$100,036	\$438,480
<u>FUND BALANCE - BEGINNING</u>	<u>722,118</u>	<u>155,047</u>	<u>877,165</u>
<u>FUND BALANCE - ENDING</u>	<u>\$1,060,562</u>	<u>\$255,083</u>	<u>\$1,315,645</u>

See accompanying notes to the basic financial statements.

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

Total net change in fund balances - governmental funds	\$438,480
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	(237,128)
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments reported as expenditures in the governmental funds.	978,285
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Loan Proceeds are shown as revenue in the governmental funds, but the proceeds increase long-term liabilities in the statement of net assets. This is the amount of proceeds reported as revenue in the governmental funds.	(109,984)
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Decrease in accrued compensated absences	24,969
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Change in accrued interest on long-term liabilities	<u>12,057</u>
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<u>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</u>	<u>\$1,106,679</u>
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SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2005

	Trust & Agency	Private Purpose Trusts	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$195,203	\$1,015	\$196,218
<u>TOTAL ASSETS</u>	\$195,203	\$1,015	\$196,218
<u>LIABILITIES</u>			
Due to Student Groups	195,203	0	195,203
<u>NET ASSETS - HELD IN TRUST FOR OTHERS</u>	<u>\$0</u>	<u>\$1,015</u>	<u>\$1,015</u>

See accompanying notes to the basic financial statements.

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2005

	Private Purpose Trusts
<u>REVENUE</u>	
Donations	\$1,360
<u>EXPENDITURES</u>	
Scholarships	676
<u>CHANGE IN NET ASSETS</u>	\$684
<u>NET ASSETS - BEGINNING OF YEAR</u>	331
<u>NET ASSETS - END OF YEAR</u>	<u>\$1,015</u>

See accompanying notes to the basic financial statements.

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

1) REPORTING ENTITY

The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the entity does not contain component units.

The District receives funding from local, state, federal and interdistrict government sources and must comply with the accompanying requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to levy taxes, and determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Suttons Bay Public Schools conform to generally accepted accounting principles as applicable to school districts. The following is a summary of the significant accounting policies:

In June 1999 the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

A Management Discussion and Analysis (MD&A) section to provide an analysis of the District’s overall financial position and results of operations.

Financial statements prepared with full accrual accounting for all of the District’s activities.

- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements and notes to the financial statements.

A) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The District’s basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District’s major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District’s activities are classified as governmental activities. Fiduciary funds are not included in the government-wide financial statements.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets net of related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District’s functions. General government revenues also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

The District does not allocate indirect costs. Inter-fund transactions have been eliminated in the government-wide financial statements.

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the general-purpose financial statements in this report, into five generic fund types in two broad fund categories as follows:

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund

The General Fund is used to record the general operations of the District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Revenue Funds

Special Revenue Funds are used to segregate the transactions of particular activities from regular revenue and expenditure accounts. The District maintains full control of these funds. The District maintains two school service funds: Food Service and Athletic Funds.

Debt Retirement Fund

The Debt Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund

The Capital Projects Sinking Fund records capital project activities funded with Sinking Fund millage. For this fund, the School District has complied with the applicable provisions of §1212(1) of the Revised School Code and the applicable section of the Revised Bulletin for School District Audits of Bonded Construction Funds and of Sinking Funds in Michigan.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The District's fiduciary funds consist of agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are used to account for amount held for student and employee groups.

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS (Continued)

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within 60 days of year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

The District reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40 *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by no less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

E) PREPAID ASSETS

Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

F) INVENTORY

On government-wide financial statements are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. Inventory in governmental funds consists of expendable supplies held for consumption.

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G) CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) using a \$5,000 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	20 – 50 years
Furniture and Equipment	5 – 10 years
Vehicles and Buses	5 years

H) INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities columns of the statement of net assets.

I) COMPENSATED ABSENCES

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences.” Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS (Continued)

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

K) FUND BALANCE RESERVES

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories.

L) NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

M) ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

N) BUDGETARY DATA

The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the function level. Any budgetary modifications may only be made by resolution of the Board of Education.

The School District follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

- 1) Prior to June 30, the Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.
- 2) A public hearing is conducted during June to obtain taxpayer comments.
- 3) Prior to June 30, the budget is legally enacted through passage of a resolution.
- 4) For purposes of meeting emergency needs of the School District, transfer of appropriations may be made by the authorization of the Superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N) BUDGETARY DATA (Continued)

- 5) The School Superintendent is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.
- 6) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

O) RECLASSIFICATIONS

Certain reclassifications have been made to the prior year financial statements to conform to current year presentation.

3) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – BUDGET VIOLATIONS

P.A. 621 of 1978, Section 18 (1), as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the School District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the School District for these budgetary funds were adopted to the functional level.

4) DEPOSITS AND INVESTMENTS

As of June 30, 2005, the District had the following investments.

Investment Type	Fair value	Weighted Average Maturity (Years)	Standard & Poor's Rating	Portfolio %
MILAF External Investment Pool - MICMS	\$ 4,709	0.0027	AAAm	0.66%
MILAF External Investment Pool - MIMAX	713,970	0.0027	AAAm	99.34%
Total fair value	<u>\$ 718,679</u>			<u>100.00%</u>
Portfolio weighted average maturity		<u>0.0027</u>		

1 day maturity equals 0.0027, one year equals 1.00.

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pool investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of “qualified investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports as of June 30, 2005, the fair value of the District’s investments is the same as the value of the pool shares.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District’s cash requirements.

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

4) DEPOSITS AND INVESTMENTS (Continued)

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2005, the District's investment in the investment pool was rated AAA by Standards & Poor's and AAA by Moody's Investors Service. The District's investments in commercial paper were rated A1 by Standard & Poor's, F-1 by Fitch Ratings, and P-1 by Moody's Investors Service. The District's investments in corporate bonds were rated AAA by Standard & Poor's and Fitch Ratings, and AAA by Moody's Investors Service.

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5% of the District's investments are in pooled investment accounts which represents 100% of the District's total investments.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2005, \$468,227 of the District's bank balance of \$663,058 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

The above amounts as previously report in Note 4:

Deposits – Including Fiduciary Funds of \$196,218	\$ 644,499
Investments	<u>718,679</u>
<u>TOTAL</u>	<u>\$ 1,363,178</u>

The above amounts are reported in the financial statements as follows:

Cash Private Purpose Trust Fund	\$ 1,015
Cash Agency Fund	195,203
Cash – District Wide	448,281
Investments – District Wide	<u>718,679</u>
<u>TOTAL</u>	<u>\$ 1,363,178</u>

5) PROPERTY TAXES

The School District levies its property taxes on December 1 and various municipalities collect its property taxes and remit them to the District through February. The delinquent real property taxes of the District are purchased by the County, and delinquent personal property taxes continue to be collected by the municipalities and recorded as revenue as they are collected. The county sells tax notes, the proceeds of which have been used to pay the District for these delinquent real property taxes. These delinquent real property taxes have been recorded as revenue in the current year.

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

6) RECEIVABLES

Receivables at June 30, 2005, consist of taxes, accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables (due from other governmental units) follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>AMOUNT</u>
State Aid	\$ 960,349
Federal Grants	85,138
<u>TOTAL</u>	<u>\$ 1,045,487</u>

7) UNEMPLOYMENT COMPENSATION

The District is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the District must reimburse the Employment Commission for all benefits charged against the District for the year. As of June 30, 2005, the District had \$1,565 of estimated claims payable in conjunction with the program.

8) SHORT-TERM DEBT

The District has various options for short-term financing including tax anticipation notes, state aid anticipation notes and lines of credit. The District entered into no short-term financing arrangements during the fiscal year ended June 30, 2005.

9) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	<u>BALANCE</u> <u>JULY 1, 2004</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2005</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
Buildings and Improvements	\$14,686,291	\$0	\$0	\$14,686,291
Land Improvements	240,138	40,000	0	280,138
Equipment and Furniture	351,337	0	0	351,337
Vehicles	830,584	118,870	108,152	841,302
Totals at Historical Cost	\$16,108,350	\$158,870	\$108,152	\$16,159,068
Less: Accumulated Depreciation				
Buildings and Improvements	(3,321,604)	(294,443)	0	(3,616,047)
Land Improvements	(144,688)	(11,457)	0	(156,145)
Equipment and Furniture	(250,120)	(22,747)	0	(272,867)
Vehicles	(520,387)	(67,351)	(108,152)	(479,586)
Total Accumulated Depreciation	<u>(\$4,236,799)</u>	<u>(\$395,998)</u>	<u>(\$108,152)</u>	<u>(\$4,524,645)</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	<u>\$11,871,551</u>	<u>(\$237,128)</u>	<u>\$0</u>	<u>\$11,634,423</u>

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

9) CAPITAL ASSETS (Continued)

Depreciation expense, when appropriate, was allocated to governmental functions. Depreciation expense that was not allocated appears on the statement of activities as "unallocated". Depreciation was recorded on the statement of activities as follows:

Instruction	\$ 5,574
Support Services	82,863
Food Service	1,185
Athletics	11,933
Unallocated	<u>294,443</u>
 <u>TOTAL DEPRECIATION EXPENSE</u>	 <u>\$ 395,998</u>

11) GENERAL LONG-TERM DEBT

A) CROSS-OVER ADVANCE REFUNDING

On December 30, 1998, the District issued \$7,300,000 in general obligation refunding bonds with an average coupon interest rate of 4.19587 percent, together with funds on hand in the amount of \$39,334 from the 1995 Debt Retirement Fund, to advance refund of \$6,735,000 outstanding 1995 General Obligation Serial Bonds dated May 8, 1995 with an average coupon interest rate of 5.415294 percent.

As of June 30, 2005, \$5,645,000 of the defeased debt remained outstanding in the custody of the escrow agent.

B) GENERAL OBLIGATION BONDS PAYABLE

Suttons Bay Public Schools issued general obligation, capital appreciation and current interest bonds on August 28, 1991, December 30, 1998 and November 8, 2000. The balances at June 30, 2005 are \$353,927, \$6,375,000, and \$5,865,000, respectively.

C) CONTRACTS PAYABLE

Contracts payable consisted of the following at June 30, 2005:

2.9% note to Fifth Third Bank, \$395 payments monthly, including interest, collateralized by Dodge Stratus.	\$ 3,947
2.75% note to Fifth Third Bank, \$1,226 payments monthly, plus interest, collateralized by 1 bus.	32,038
5.6% to Apple Computers, \$58,468 payments annually, plus interest, collateralized by computers.	157,451
3.04% note to Fifth Third Bank, \$1,978 payments monthly, plus interest, collateralized by 2 buses.	91,050
4.49% note to Fifth Third Bank, \$856 payments monthly, plus interest, collateralized by 1 bus.	<u>11,981</u>
 <u>TOTAL CONTRACTS PAYABLE</u>	 <u>\$ 296,467</u>

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

11) GENERAL LONG-TERM DEBT (Continued)

D) ANNUAL PRINCIPAL REQUIREMENTS

The annual principal requirements for all debts outstanding as of June 30, 2005 are as follows:

	CONTRACTS PAYABLE	BONDS PAYABLE	INTEREST	TOTAL
June 30, 2006	\$99,140	\$928,016	\$673,946	\$1,701,102
June 30, 2007	90,458	990,911	630,069	1,711,438
June 30, 2008	81,603	1,125,000	502,220	1,708,823
June 30, 2009	23,293	1,170,000	450,461	1,643,754
June 30, 2010	1,973	1,220,000	400,161	1,622,134
June 30, 2011-2015	0	6,010,000	1,158,428	7,168,428
June 30, 2016-2018	0	1,150,000	58,650	1,208,650
<u>TOTAL</u>	<u>\$296,467</u>	<u>\$12,593,927</u>	<u>\$3,873,935</u>	<u>\$16,764,329</u>

The payment dates of sick days payable is undeterminable. The interest expenditures on long-term obligations for the year were \$721,706.

E) CHANGES IN GENERAL LONG-TERM DEBT

	BALANCE JULY 1, 2004	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2005	AMOUNT DUE IN ONE YEAR
<u>Governmental Activities:</u>					
General Obligation Bonds	\$13,455,368	\$0	\$861,441	\$12,593,927	\$928,016
Contracts & Loan Payable	303,327	109,984	116,844	296,467	110,251
Sick Days Payable	38,523	0	24,969	13,554	0
<u>Total Governmental Activities</u>	<u>\$13,797,218</u>	<u>\$109,984</u>	<u>\$1,003,254</u>	<u>\$12,903,948</u>	<u>\$1,038,267</u>

12) INTERFUND ACTIVITY

Interfund balances at June 30, 2005 consisted of the following:

	DUE FROM		
	GENERAL FUND	SPECIAL REVENUE FUND	TOTAL
General Fund	\$0	\$22,789	\$22,789
Capital Projects Fund	9,775	0	9,775
<u>TOTAL</u>	<u>\$9,775</u>	<u>\$22,789</u>	<u>\$32,564</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

13) INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2005, consisted of the following:

TRANSFERS TO	TRANSFERS FROM	
		GENERAL FUND
	Athletics Fund	\$208,282

These transfers were made to subsidize the cost of services for athletics.

14) DEFINED BENEFIT PENSION PLAN

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The MPERS provides retirement, survivor and disability benefits to plan members and their beneficiaries. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the MPERS. That report may be obtained by writing to the MPERS at 7150 Harris Drive, PO Box 30673, Lansing, MI 48909-8103.

Funding Policy

Employer contributions to the MPERS result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 12.99 percent for the period July 1, 2004 through September 30, 2004 and 14.87 percent for the period October 1, 2004 through June 30, 2005 of the covered payroll to the plan. Basic plan members make no contributions, but contribute to a member investment plan (MIP) at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPERS pension plan for the years ended June 30, 2005, 2004 and 2003 were \$708,649, \$649,787 and \$644,457, respectively.

Postemployment Benefits

Under the MPERS Act, all retirees participating in the MPERS pension plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverages. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPERS pension plan discussed above.

16) RISK MANAGEMENT

The District is exposed to various risks of loss in conducting its operations, from property and casualty theft, damage to various tort and liability claims and workman's compensation claims. The District limits its exposure to such claims through its participation in and payments of premiums to SET-SEG, Inc. Insurance Trust. This pool maintains a loss fund and is also required by the terms of the participation agreement to obtain insurance and reinsurance as necessary.

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

16) RISK MANAGEMENT

The terms of the participation agreement with the pool indicate that, should losses of the pool incurred in a given coverage period exceed the loss fund and the aggregate excess reinsurance, the fund may access its member districts on a pro-rata basis to cover excess losses. In past years the loss fund has exceeded the amount necessary to maintain prudent loss reserves, resulting in annual premium refunds to member districts. The District's management believes that participation in this pool provides sufficient coverage to protect the District from any significant adverse financial impact.

17) CONTINGENCIES AND COMMITMENTS

The District participates in a number of federally assisted grant programs, principal of which is the Impact Aid grant. This program is subject to program compliance audit. The audit of this program for and including the year ended June 30, 2005, has been conducted and has been reported in this audit report. However, the compliance audit reports have not yet been accepted by the grantors. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time; although the District expects such amounts, if any, to be immaterial.

18) SUBSEQUENT EVENT

The District issued refunding bonds in the amount of \$5,095,000 on July 20, 2005.

REQUIRED
SUPPLEMENTARY
INFORMATION

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<u>REVENUES</u>				
Local Sources	\$2,113,317	\$2,267,818	\$2,363,685	\$95,867
Intermediate Sources	100,000	128,368	137,296	8,928
State Sources	5,069,410	5,256,942	5,251,899	(5,043)
Federal Sources	874,194	917,123	991,544	74,421
Total Revenues	<u>\$8,156,921</u>	<u>\$8,570,251</u>	<u>\$8,744,424</u>	<u>\$174,173</u>
<u>EXPENDITURES</u>				
Current:				
Instruction	5,453,138	4,948,011	4,776,877	171,134
Student Services	501,551	484,524	415,274	69,250
Instructional Support	140,343	164,742	261,119	(96,377)
General Administration	314,981	255,886	228,391	27,495
School Administration	607,414	570,265	550,973	19,292
Business Administration/Transportation	1,158,494	1,475,741	1,413,806	61,935
Support Services - Other	0	202,284	306,190	(103,906)
Community Services	0	200,579	186,118	14,461
Total Expenditures	<u>\$8,175,921</u>	<u>\$8,302,032</u>	<u>\$8,138,748</u>	<u>\$163,284</u>
Excess of Revenues Over Expenditures	<u>(\$19,000)</u>	<u>\$268,219</u>	<u>\$605,676</u>	<u>\$337,457</u>
<u>OTHER FINANCING SOURCES (USES)</u>	<u>19,000</u>	<u>(294,688)</u>	<u>(267,232)</u>	<u>27,456</u>
Net Change in Fund Balance	<u>\$0</u>	<u>(\$26,469)</u>	<u>\$338,444</u>	<u>\$364,913</u>
<u>FUND BALANCE - BEGINNING</u>			<u>722,118</u>	
<u>FUND BALANCE - ENDING</u>			<u>\$1,060,562</u>	

OTHER SUPPLEMENTAL
INFORMATION

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
AS OF JUNE 30, 2005

	Special Revenue Fund	Debt Service Fund	Sinking Capital Projects Fund	Total Other Governmental Funds
<u>ASSETS</u>				
Cash and Cash Equivalents	\$42,059	\$140,285	\$0	\$182,344
Investments	0	0	82,851	82,851
Due from Other Governmental Units	1,931	0	0	1,931
Due from Other Funds	0	0	9,775	9,775
Inventory	1,358	0	0	1,358
<u>TOTAL ASSETS</u>	<u>\$45,348</u>	<u>\$140,285</u>	<u>\$92,626</u>	<u>\$278,259</u>
<u>LIABILITIES</u>				
Accounts Payable	\$387	\$0	\$0	\$387
Due to Other Funds	22,789	0	0	22,789
Total Liabilities	\$23,176	\$0	\$0	\$23,176
<u>FUND BALANCES</u>				
Reserved For:				
Inventory	1,358	0	0	1,358
Debt Retirement	0	140,285	0	140,285
Capital Projects	0	0	92,626	92,626
Unreserved:				
Undesignated, Reported In:				
School Service Fund	20,814	0	0	20,814
Total Fund Balances	\$22,172	\$140,285	\$92,626	\$255,083
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$45,348</u>	<u>\$140,285</u>	<u>\$92,626</u>	<u>\$278,259</u>

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Special Revenue Fund	Debt Service Fund	Sinking Capital Projects Fund	Total Other Governmental Funds
<u>REVENUES</u>				
Local Sources	\$213,079	\$1,589,346	\$124,193	\$1,926,618
State Sources	11,364	0	0	11,364
Federal Sources	122,354	0	0	122,354
Total Revenues	<u>\$346,797</u>	<u>\$1,589,346</u>	<u>\$124,193</u>	<u>\$2,060,336</u>
<u>OTHER FINANCING SOURCES (USES)</u>	<u>208,282</u>	<u>0</u>	<u>0</u>	<u>208,282</u>
Total Revenues & Other Financing Sources	<u>\$555,079</u>	<u>\$1,589,346</u>	<u>\$124,193</u>	<u>\$2,268,618</u>
<u>EXPENDITURES</u>				
Food Service	565,272	0	0	565,272
Debt Service	0	1,563,310	0	1,563,310
Capital Projects				
Capital Outlay	0	0	40,000	40,000
Total Expenditures	<u>\$565,272</u>	<u>\$1,563,310</u>	<u>\$40,000</u>	<u>\$2,168,582</u>
Net Change in Fund Balance	<u>(\$10,193)</u>	<u>\$26,036</u>	<u>\$84,193</u>	<u>\$100,036</u>
<u>NET ASSETS - BEGINNING</u>	<u>32,365</u>	<u>114,249</u>	<u>8,433</u>	<u>155,047</u>
<u>NET ASSETS - ENDING</u>	<u>\$22,172</u>	<u>\$140,285</u>	<u>\$92,626</u>	<u>\$255,083</u>

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
SPECIAL REVENUE FUND
COMBINING BALANCE SHEET
AS OF JUNE 30, 2005

	<u>FOOD SERVICES</u>	<u>ATHLETIC ACTIVITIES</u>	<u>TOTALS</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$30,851	\$11,208	\$42,059
Due from Other Governmental Units	1,931	0	1,931
Inventory	<u>1,358</u>	<u>0</u>	<u>1,358</u>
<u>TOTAL ASSETS</u>	<u>\$34,140</u>	<u>\$11,208</u>	<u>\$45,348</u>
<u>LIABILITIES</u>			
Accounts Payable	\$0	\$387	\$387
Due to Other Funds	<u>11,968</u>	<u>10,821</u>	<u>22,789</u>
Total Liabilities	\$11,968	\$11,208	\$23,176
<u>FUND EQUITY</u>			
Reserved for Inventory	1,358	0	1,358
Unreserved and Undesignated	<u>20,814</u>	<u>0</u>	<u>20,814</u>
Total Fund Equity	<u>\$22,172</u>	<u>\$0</u>	<u>\$22,172</u>
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$34,140</u>	<u>\$11,208</u>	<u>\$45,348</u>

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
SPECIAL REVENUE FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2005

<u>REVENUES</u>	<u>FOOD SERVICES</u>	<u>ATHLETIC ACTIVITIES</u>	<u>TOTALS</u>
<u>Local Sources</u>			
Cafeteria Sales	\$133,368	\$0	\$133,368
Athletic Activities	0	79,067	79,067
Earnings on Investments and Deposits	267	277	544
Other Local Revenues	0	100	100
Total Local Sources	<u>\$133,635</u>	<u>\$79,444</u>	<u>\$213,079</u>
<u>State Sources</u>			
State Reimbursements	11,364	0	11,364
<u>Federal Sources</u>			
Federal Reimbursements	109,230	0	109,230
Commodities	13,124	0	13,124
Total Federal Sources	<u>\$122,354</u>	<u>\$0</u>	<u>\$122,354</u>
<u>OTHER FINANCING SOURCES</u>			
Transfer from General Fund	0	208,282	208,282
Total Revenues and Other Financing Sources	<u>\$267,353</u>	<u>\$287,726</u>	<u>\$555,079</u>
<u>EXPENDITURES</u>			
Salaries - Professional	23,960	24,779	48,739
Salaries - Non-Professional	74,160	109,876	184,036
Insurances	15,892	8,556	24,448
Fica, Retirement, Etc.	23,338	29,708	53,046
Other Benefits	5,860	2,734	8,594
Purchased Services	7,075	30,473	37,548
Supplies and Materials	104,528	33,988	138,516
Capital Outlay	7,057	11,488	18,545
Other	15,676	36,124	51,800
Total Expenditures	<u>\$277,546</u>	<u>\$287,726</u>	<u>\$565,272</u>
<u>EXCESS REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES</u>	<u>(\$10,193)</u>	<u>\$0</u>	<u>(\$10,193)</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>\$32,365</u>	<u>\$0</u>	<u>\$32,365</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$22,172</u>	<u>\$0</u>	<u>\$22,172</u>

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
DEBT RETIREMENT FUND
COMBINING BALANCE SHEET
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Fund 2000</u>	<u>Fund #3 1991</u>	<u>Fund #4 1998</u>	<u>Fund #5 1995</u>	<u>Total After Interfund Eliminations</u>
<u>ASSETS</u>					
Cash and Cash Equivalents	<u>\$61,323</u>	<u>\$48,897</u>	<u>\$0</u>	<u>\$30,065</u>	<u>\$140,285</u>
<u>TOTAL ASSETS</u>	<u>\$61,323</u>	<u>\$48,897</u>	<u>\$0</u>	<u>\$30,065</u>	<u>\$140,285</u>
<u>FUND EQUITY</u>					
Reserved - Debt Retirement	<u>\$61,323</u>	<u>\$48,897</u>	<u>\$0</u>	<u>\$30,065</u>	<u>\$140,285</u>

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
DEBT RETIREMENT FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2005

	Fund 2000	Fund #3 1991	Fund #4 1998	Fund #5 1995	Total After Interfund Eliminations
<u>REVENUES</u>					
<u>Local Sources</u>					
Property Taxes	\$501,590	\$238,594	\$0	\$828,947	\$1,569,131
Penalties & Interest on Delinquent Taxes	874	887	0	3,276	5,037
Earnings on Investments and Deposits	4,929	2,854	101	7,238	15,122
Other Local Revenue	18	8	0	30	56
Total Local Sources	<u>\$507,411</u>	<u>\$242,343</u>	<u>\$101</u>	<u>\$839,491</u>	<u>\$1,589,346</u>
<u>OTHER FINANCING SOURCES</u>					
Transfer from Other Debt Funds	32,104	55,000	0	0	0
Total Revenue and Other Financing Sources	<u>\$539,515</u>	<u>\$297,343</u>	<u>\$101</u>	<u>\$839,491</u>	<u>\$1,589,346</u>
<u>EXPENDITURES</u>					
Redemption of Bond Principal	140,000	171,441	0	550,000	861,441
Interest on Bonded Debt	303,828	108,559	0	289,448	701,835
Other	0	17	0	17	34
Total Expenditures	<u>\$443,828</u>	<u>\$280,017</u>	<u>\$0</u>	<u>\$839,465</u>	<u>\$1,563,310</u>
<u>OTHER FINANCING USES</u>					
Transfer to Other Debt Funds	55,000	0	32,104	0	0
Total Expenditures and Other Financing Uses	<u>\$498,828</u>	<u>\$280,017</u>	<u>\$32,104</u>	<u>\$839,465</u>	<u>\$1,563,310</u>
<u>EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</u>	<u>\$40,687</u>	<u>\$17,326</u>	<u>(\$32,003)</u>	<u>\$26</u>	<u>\$26,036</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>\$20,636</u>	<u>\$31,571</u>	<u>\$32,003</u>	<u>\$30,039</u>	<u>\$114,249</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$61,323</u>	<u>\$48,897</u>	<u>\$0</u>	<u>\$30,065</u>	<u>\$140,285</u>

INDIVIDUAL FUND SCHEDULES OF
REVENUES, EXPENDITURES AND
OTHER FINANCING USES

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
FOR THE YEAR ENDED JUNE 30, 2005

REVENUES FROM

Local Sources

Property Tax Levy	\$1,874,585
Fee - Drivers Education	28,240
Fee - Transportation	2,552
Earnings on Investments and Deposits	21,677
Kids Club	56,725
Montessori Primary Tuition	67,446
Montessori Primary Child Care	4,417
Montessori Toddler Program	14,715
Migrant Program Rent	20,191
Grand Traverse Band Tutoring	125,817
Miscellaneous Revenue	147,320
Total Revenues from Local Sources	<u>\$2,363,685</u>

Intermediate Sources

Special Ed Milleage	103,335
Learning Without Limits	248
ASAP Pie Grant	28,012
Advanced and Accelerated Learning	143
Teacher Academy	3,737
N-O-T Tobacco Grant	1,821
Total Revenues from Intermediate Sources	<u>\$137,296</u>

State Sources

State Aid	4,675,610
Special Education - Headlee	280,112
At Risk	167,194
Bilingual Education	4,245
Artist in Residence	6,850
Homeland Security	6,600
MI School Readiness	92,400
Adult Education Participants	3,659
Student Assistant Grant	10,000
LCFIA - Student Services	5,229
Total Revenues from State Sources	<u>\$5,251,899</u>

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
FOR THE YEAR ENDED JUNE 30, 2005

REVENUES FROM
Federal Sources

Indian Education	\$49,123
Improving Teacher Quality	53,013
Grants from ISD	41,017
Title I	148,363
Title I Carryover	30,381
Title V	635
Transition Services	437
Impact Aid	658,223
Safe & Drug Free Schools	5,582
Nutrition Grant	1,000
Technology Literacy	3,770
Total Revenues from Federal Sources	<u>\$991,544</u>
Total Revenues	<u>\$8,744,424</u>

OTHER FINANCING SOURCES

Sale of Equipment	<u>3,100</u>
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TOTAL REVENUES AND OTHER FINANCING SOURCES
\$8,747,524

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2005

INSTRUCTIONBASIC PROGRAMSElementary

Salaries - Professional	\$1,043,755
Salaries - Non-Professional	32,416
Insurance	252,136
Fica, Retirement, Etc.	241,394
Other Benefits	21,978
Purchased Services	9,646
Supplies & Materials	20,864
Total Elementary	<u>\$1,622,189</u>

Middle School

Salaries - Professional	562,442
Salaries - Non-Professional	32,190
Insurance	151,308
Fica, Retirement, Etc.	133,659
Other Benefits	5,352
Purchased Services	19,775
Supplies & Materials	24,832
Total Middle School	<u>\$929,558</u>

High School

Salaries - Professional	742,941
Salaries - Non-Professional	36,797
Insurance	134,772
Fica, Retirement, Etc.	175,949
Other Benefits	31,210
Purchased Services	31,331
Supplies & Materials	29,642
Capital Outlay	1,814
Other	2,558
Total High School	<u>\$1,187,014</u>

Preschool

Salaries - Professional	33,072
Salaries - Non-Professional	4,374
Insurance	9,903
Fica, Retirement, Etc.	8,390
Other Benefits	202
Purchased Services	1,175
Supplies & Materials	4,145
Other	35
Total Preschool	<u>\$61,296</u>

Total Basic Programs

\$3,800,057

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN

GENERAL FUND

SCHEDULE OF EXPENDITURES

FOR THE YEAR ENDED JUNE 30, 2005

INSTRUCTION (Continued)ADDED NEEDSSpecial Education

Salaries - Professional	\$473,959
Salaries - Non-Professional	25,324
Insurance	107,406
Fica, Retirement, Etc.	112,156
Other Benefits	11,473
Purchased Services	222
Supplies & Materials	9,475
Other	792
Total Special Education	<u>\$740,807</u>

Compensatory Education

Salaries - Professional	104,638
Salaries - Non-Professional	52,021
Insurance	17,161
Fica, Retirement, Etc.	31,382
Other Benefits	8,236
Purchased Services	1,516
Supplies & Materials	15,570
Other	2,337
Total Compensatory Education	<u>\$232,861</u>

<u>Total Added Needs</u>	\$973,668
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ADULT EDUCATION

Salaries - Professional	2,573
Fica, Retirement, Etc.	579
Total Adult Education	<u>\$3,152</u>

<u>Total Instruction</u>	\$4,776,877
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SUPPORT SERVICESStudent Services

Salaries - Professional	249,998
Salaries - Non-Professional	39,960
Insurance	62,556
Fica, Retirement, Etc.	58,807
Other Benefits	1,136
Purchased Services	1,683
Supplies & Materials	258
Other	876
Total Student Services	<u>\$415,274</u>

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN

GENERAL FUND

SCHEDULE OF EXPENDITURES

FOR THE YEAR ENDED JUNE 30, 2005

SUPPORT SERVICES (Continued)Instructional Staff

Salaries - Professional	\$135,652
Salaries - Non-Professional	16,834
Insurance	16,008
Fica, Retirement, Etc.	35,188
Other Benefits	6,179
Purchased Services	38,987
Supplies & Materials	9,222
Other	3,049
Total Instructional Staff	<u>\$261,119</u>

General Administration

Salaries - Professional	105,000
Salaries - Non-Professional	15,085
Insurance	21,636
Fica, Retirement, Etc.	25,442
Other Benefits	8,400
Purchased Services	43,486
Supplies & Materials	5,729
Other	3,613
Total General Administration	<u>\$228,391</u>

School Administration

Salaries - Professional	216,648
Salaries - Non-Professional	142,214
Insurance	83,071
Fica, Retirement, Etc.	80,704
Other Benefits	11,873
Purchased Services	6,815
Supplies & Materials	6,983
Other	2,665
Total School Administration	<u>\$550,973</u>

Business Administration

Salaries - Non-Professional	71,987
Insurance	15,709
Fica, Retirement, Etc.	15,685
Other Benefits	5,996
Purchased Services	21,584
Supplies & Materials	255
Other	4,777
Total Business Administration	<u>\$135,993</u>

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2005

SUPPORT SERVICES (Continued)

Operation & Maintenance of Plant

Salaries - Non-Professional	\$206,703
Insurance	60,830
Fica, Retirement, Etc.	49,643
Other Benefits	4,832
Purchased Services	162,369
Supplies & Materials	267,400
Capital Outlay	5,636
Other	2,188
Total Operation & Maintenance of Plant	<u>\$759,601</u>

Pupil Transportation

Salaries - Professional	12,000
Salaries - Non-Professional	252,485
Insurance	14,910
Fica, Retirement, Etc.	55,210
Other Benefits	10,054
Purchased Services	19,733
Supplies & Materials	55,741
Capital Outlay	95,969
Other	2,110
Total Pupil Transportation	<u>\$518,212</u>

Other Support Services

Salaries - Non-Professional	90,389
Insurance	14,756
Fica, Retirement, Etc.	19,973
Other Benefits	403
Purchased Services	34,511
Supplies & Materials	9,867
Capital Outlay	136,291
Total Other Support Services	<u>\$306,190</u>

Total Support Services

\$3,175,753

COMMUNITY SERVICES

Salaries - Professional	29,288
Salaries - Non-Professional	51,037
Insurance	12,696
Fica, Retirement, Etc.	18,012
Other Benefits	1,428
Purchased Services	58,107
Supplies & Materials	12,366
Capital Outlay	163
Other	3,021
Total Community Services	<u>\$186,118</u>

TOTAL EXPENDITURES

\$8,138,748

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2005

<u>OTHER FINANCING USES</u>	
Transfers to Athletic Fund	\$208,282
Transfers to Other Districts	62,050
Total Other Financing Uses	<u>\$270,332</u>
 <u>TOTAL EXPENDITURES AND OTHER FINANCING USES</u>	 <u>\$8,409,080</u>

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
TRUST AND AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS -
STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2005

STUDENT ACTIVITY	DUE TO (FROM) STUDENT GROUPS		DUE TO (FROM) STUDENT GROUPS	
	JULY 1, 2004	RECEIPTS	DISBURSEMENTS	JUNE 30, 2005
2% Allocation Grant	\$75,754	\$51,091	\$539	\$126,306
A/P Administrative	126	1,230	1,154	202
A/P Art	315	15,192	13,337	2,170
Academic Boosters Club	0	2,576	0	2,576
BPA	1,656	8,026	8,241	1,441
Class of 2005	2,366	25	2,101	290
Class of 2006	1,986	2,038	2,620	1,404
Class of 2007	1,483	2,968	1,470	2,981
Class of 2008	0	1,721	644	1,077
Dramatics	5,056	3,585	5,839	2,802
Elementary Carnival	6,797	34,706	35,348	6,155
Friends of Fine Arts	10,244	34,157	36,149	8,252
Health and Foods	430	5	112	323
Helping Hands	177	1,221	828	570
Lock Deposits	174	270	240	204
Middle School	11,770	56,422	52,656	15,536
Music	3,313	8,005	10,524	794
National Honor Society	564	3,310	3,295	579
Outdoor Adventure Club	196	1,844	1,822	218
Parent-Teacher Organization	5,082	18,056	18,626	4,512
Physics	(28)	79	5	46
Project Hero	1,886	5,656	7,168	374
S.A.D.D.	(399)	399	0	0
Senior Graduation Party	895	7,802	8,132	565
Student Council-High School	4,066	11,823	11,631	4,258
Summer Recreation Program	1,279	2,883	1,155	3,007
Teachers' Projects	8,387	4,906	6,781	6,512
Wood Technology	663	568	579	652
Yearbook-High School	583	8,553	7,739	1,397
TOTALS	\$144,821	\$289,117	\$238,735	\$195,203

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
PRIVATE PURPOSE TRUSTS
SCHEDULE OF REVENUE AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2005

	<u>BUCKESCOTT MEMORIAL FUND</u>	
<u>BALANCE - JULY 1, 2004</u>		\$331
<u>REVENUE</u>		
Donations		1,360
<u>EXPENDITURES</u>		
Scholarship Awards		<u>676</u>
<u>BALANCE - JUNE 30, 2005</u>		<u><u>\$1,015</u></u>

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
GENERAL OBLIGATION SERIAL BONDS
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
AS OF JUNE 30, 2005

Serial Bonds issued August 28, 1991, and outstanding as of June 30, 2005, consisted of:

CAPITAL APPRECIATION BONDS

<u>DATE OF MATURITY</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>INTEREST RATE (%)</u>	<u>INTEREST REQUIREMENT</u>	<u>TOTAL DEBT REQUIREMENT</u>
May 1, 2006	\$173,016	7.10	\$96,984	\$270,000
May 1, 2007	180,911	7.20	89,089	270,000
<u>TOTALS</u>	<u>\$353,927</u>		<u>\$186,073</u>	<u>\$540,000</u>

Refunding Bonds issued December 30, 1998, and outstanding as of June 30, 2005, consisted of:

GENERAL OBLIGATION - UNLIMITED TAX BONDS

<u>DATE OF MATURITY</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>INTEREST RATE (%)</u>	<u>INTEREST REQUIREMENT</u>	<u>TOTAL DEBT REQUIREMENT</u>
November 1, 2005	\$0	3.950	\$133,861	\$133,861
May 1, 2006	615,000	4.050	133,861	748,861
November 1, 2006	0	4.050	121,408	121,408
May 1, 2007	670,000	4.100	121,407	791,407
November 1, 2007	0	4.100	107,672	107,672
May 1, 2008	985,000	4.150	107,673	1,092,673
November 1, 2008	0	4.150	87,234	87,234
May 1, 2009	1,025,000	4.150	87,234	1,112,234
November 1, 2009	0	4.150	65,965	65,965
May 1, 2010	1,025,000	4.200	65,965	1,090,965
November 1, 2010	0	4.200	44,440	44,440
May 1, 2011	1,025,000	4.300	44,440	1,069,440
November 1, 2011	0	4.300	22,403	22,403
May 1, 2012	1,030,000	4.350	22,402	1,052,402
<u>TOTALS</u>	<u>\$6,375,000</u>		<u>\$1,165,965</u>	<u>\$7,540,965</u>

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
GENERAL OBLIGATION SERIAL BONDS
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
AS OF JUNE 30, 2005

2000 School Building and Site Bonds issued November 8, 2000, and outstanding as of June 30, 2005, consisted of:

GENERAL OBLIGATION - UNLIMITED TAX BONDS

<u>DATE OF MATURITY</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>INTEREST RATE (%)</u>	<u>INTEREST REQUIREMENT</u>	<u>TOTAL DEBT REQUIREMENT</u>
November 1, 2005	\$0		\$148,379	\$148,379
May 1, 2006	140,000	5.050	148,379	288,379
November 1, 2006	0		144,844	144,844
May 1, 2007	140,000	5.050	144,844	284,844
November 1, 2007	0		141,309	141,309
May 1, 2008	140,000	5.050	141,309	281,309
November 1, 2008	0		137,774	137,774
May 1, 2009	145,000	5.050	137,774	282,774
November 1, 2009	0		134,113	134,113
May 1, 2010	195,000	5.050	134,112	329,112
November 1, 2010	0		129,189	129,189
May 1, 2011	250,000	5.050	129,189	379,189
November 1, 2011	0		122,876	122,876
May 1, 2012	305,000	5.050	122,876	427,876
November 1, 2012	0		115,175	115,175
May 1, 2013	1,125,000	5.050	115,175	1,240,175
November 1, 2013	0		86,769	86,769
May 1, 2014	1,125,000	5.050	86,769	1,211,769
November 1, 2014	0		58,363	58,363
May 1, 2015	1,150,000	5.050	58,362	1,208,362
November 1, 2015	0		29,325	29,325
May 1, 2016	1,150,000	5.100	29,325	1,179,325
<u>TOTALS</u>	<u>\$5,865,000</u>		<u>\$2,496,230</u>	<u>\$8,361,230</u>

SUTTONS BAY PUBLIC SCHOOLS
SUTTONS BAY, MICHIGAN
FEDERAL AWARDS
SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2005

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Lewis & Knopf, CPAs, P.C.

Serving You with Trust and Integrity

July 26, 2005

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education of
Suttons Bay Public Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Suttons Bay Public Schools, as of and for the year ended June 30, 2005, which collectively comprise the Suttons Bay Public Schools' basic financial statements and have issued our report thereon dated July 26, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Suttons Bay Public Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Suttons Bay Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to management of Suttons Bay Public Schools, in a separate letter dated July 26, 2005.

This report is intended solely for the information and use of the finance committee, management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lewis & Knopf P.C.

LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS



Lewis & Knopf, CPAs, P.C.

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July 26, 2005

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

To the Board of Education of
Suttons Bay Public Schools

Compliance

We have audited the compliance of Suttons Bay Public Schools with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. Suttons Bay Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Suttons Bay Public Schools' management. Our responsibility is to express an opinion on Suttons Bay Public Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Suttons Bay Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Suttons Bay Public Schools' compliance with those requirements.

In our opinion, Suttons Bay Public Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Suttons Bay Public Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Suttons Bay Public Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.



Suttons Bay Public Schools

Page 2

July 26, 2005

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Suttons Bay Public Schools, as of and for the year ended June 30, 2005, and have issued our report thereon dated July 26, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Suttons Bay Public Schools' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the finance committee, management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lewis & Knopf P.C.

LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH PROJECT NUMBER	PROGRAM OR AWARD AMOUNT
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<u>Direct Programs:</u>			
Impact Aid	84.041		
Impact Aid (2005)		S041B-2005-6037	\$568,215
Impact Aid (2003)		S041B-2003-6037	90,008
Total Impact Aid			<u>\$658,223</u>
Indian Education - Grants to Local Education Agencies	84.060A		
Indian Education Youth Empowerment Project (04-05)		S060A040360	55,916
Indian Education Youth Empowerment Project (03-04)		S060A030360	52,762
Total Indian Education - Grants to Local Education Agencies			<u>\$108,678</u>
Total Direct Programs			<u>\$766,901</u>
<u>Passed Through Michigan Department of Education:</u>			
Title I Grants to Local Educational Agencies	84.010		
ESEA Title I (03-04)		41530-0304	148,415
ESEA Title I Carryover (03-04)		41530-0405	11,739
ESEA Title I (04-05)		51530-0405	148,363
Total Title I Grants to Local Educational Agencies			<u>\$308,517</u>
Safe and Drug-Free Schools and Communities - State Grants:	84.186		
Drug Free Schools (04-05)		52860-0405	5,582
Innovative Education Program Strategies	84.298		
Title V (04-05)		50250-0405	635
Technology Literacy Challenge Grants	84.318		
Technology Literacy Challenge Fund (03-04)		44290-0304	3,877
Technology Literacy Challenge Fund (04-05)		54290-0405	3,770
Total Technology Literacy Challenge Grants			<u>\$7,647</u>
Improving Teacher Quality	84.367		
Title IIA (03-04)		40520-0304	52,287
Title IIA (04-05)		50520-0405	53,013
Total Improving Teacher Quality			<u>\$105,300</u>
Total Passed Through Michigan Department of Education			<u>\$427,681</u>
<u>Passed Through Traverse Bay Intermediate School District</u>			
Special Education - Grants to States:	84.027		
Capacity Building (03-04)		30490CB	1,800
Transition Grant (04-05)		50490TS	437
IDEA Flow-Through		50450-0405	20,649
Total Special Education Grants to States			<u>\$22,886</u>

ACCRUED (DEFERRED) REVENUE JULY 1, 2004	PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	ADJUSTMENTS PRIOR YEARS	CURRENT YEAR CASH/ PAYMENTS IN KIND RECEIVED	ACCRUED (DEFERRED) REVENUE JUNE 30, 2005
\$0	\$0	\$568,215	\$0	\$568,215	\$0
0	0	90,008	0	90,008	0
\$0	\$0	\$658,223	\$0	\$658,223	\$0
0	0	49,123	0	49,123	0
12,757	52,762	0	0	12,757	0
\$12,757	\$52,762	\$49,123	\$0	\$61,880	\$0
\$12,757	\$52,762	\$707,346	\$0	\$720,103	\$0
37,446	129,773	18,642	0	56,088	0
0	0	11,739	0	11,739	0
0	0	148,363	0	89,000	59,363
\$37,446	\$129,773	\$178,744	\$0	\$156,827	\$59,363
0	0	5,582	0	5,582	0
0	0	635	0	635	0
2,927	3,877	0	0	2,927	0
0	0	3,770	0	3,560	210
\$2,927	\$3,877	\$3,770	\$0	\$6,487	\$210
22,520	52,287	0	0	22,520	0
0	0	53,013	0	30,000	23,013
\$22,520	\$52,287	\$53,013	\$0	\$52,520	\$23,013
\$62,893	\$185,937	\$241,744	\$0	\$222,051	\$82,586
(1,800)	0	1,800	0	0	0
0	0	437	0	437	0
0	0	20,649	0	20,649	0
(\$1,800)	\$0	\$22,886	\$0	\$21,086	\$0

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH PROJECT NUMBER	PROGRAM OR AWARD AMOUNT
<u>U.S. DEPARTMENT OF EDUCATION</u> (Continued)			
<u>Passed Through Traverse Bay Intermediate School District</u> (Continued)			
Vocational Education - Grants to States:	84.048		
Perkins Entrepreneurship		43260-50163	\$155
Preschool Incentive (04-05)	84.173		7,028
Total Passed Through Traverse Bay Intermediate School District			<u>\$30,069</u>
<u>TOTAL U.S. DEPARTMENT OF EDUCATION</u>			\$1,224,651
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<u>Passed Through Michigan Department of Education:</u>			
Food Distribution	10.550		
Entitlement Commodities		N/A	10,031
Bonus Commodities		N/A	<u>3,093</u>
Total Commodities			\$13,124
School Breakfast Program	10.553	N/A	25,521
National School Lunch Program	10.555	N/A	<u>83,709</u>
<u>TOTAL U.S. DEPARTMENT OF AGRICULTURE</u>			\$122,354
<u>U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES</u>			
<u>Passed Through Traverse Bay Intermediate School District</u>			
Medical Assistance Program Title XIX	93.778		
Medicaid School Based Services/Transportation		N/A	11,385
<u>Passed Through Michigan Department of Education:</u>			
CDC Grant/CSHP Tech Assistance	93.938		
School Health Teams (04-05)		34400SH10305	<u>1,000</u>
<u>TOTAL U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES</u>			<u>\$12,385</u>
<u>TOTAL FEDERAL AWARDS</u>			<u><u>\$1,359,390</u></u>

ACCRUED (DEFERRED) REVENUE JULY 1, 2004	PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	ADJUSTMENTS PRIOR YEARS	CURRENT YEAR CASH/ PAYMENTS IN KIND RECEIVED	ACCRUED (DEFERRED) REVENUE JUNE 30, 2005
\$0	\$0	\$155	\$0	\$155	\$0
0	0	7,028	0	7,028	0
<u>(\$1,800)</u>	<u>\$0</u>	<u>\$30,069</u>	<u>\$0</u>	<u>\$28,269</u>	<u>\$0</u>
\$73,850	\$238,699	\$979,159	\$0	\$970,423	\$82,586
0	0	10,031	0	10,031	0
0	0	3,093	0	3,093	0
<u>\$0</u>	<u>\$0</u>	<u>\$13,124</u>	<u>\$0</u>	<u>\$13,124</u>	<u>\$0</u>
0	0	25,521	0	25,521	0
0	0	83,709	0	83,709	0
<u>\$0</u>	<u>\$0</u>	<u>\$122,354</u>	<u>\$0</u>	<u>\$122,354</u>	<u>\$0</u>
0	0	11,385	0	8,833	2,552
0	0	1,000	0	1,000	0
<u>\$0</u>	<u>\$0</u>	<u>\$12,385</u>	<u>\$0</u>	<u>\$9,833</u>	<u>\$2,552</u>
<u>\$73,850</u>	<u>\$238,699</u>	<u>\$1,113,898</u>	<u>\$0</u>	<u>\$1,102,610</u>	<u>\$85,138</u>

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
NOTES/RECONCILIATION TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

FEDERAL REVENUE RECOGNIZED FOR SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS

\$1,113,898

FEDERAL REVENUE RECOGNIZED PER THE GENERAL
PURPOSE FINANCIAL STATEMENTS PURPOSE

General Fund \$991,544

School Service Fund 122,354

TOTAL \$1,113,898

- 1) The Schedule of Expenditures of Federal Awards had been prepared under the modified accrual basis of accounting.
- 2) Management has utilized the Grants Section Auditors Report (Form R7120) in preparing the Schedule of Expenditures of Federal Awards. All differences between the Schedule of Expenditures of Federal Awards and the Form R7120 have been reconciled in the attached reconciliation on page 7 of this report.
- 3) As of the date of completion of fieldwork, the Schedule of Transfers to Sub-Recipients from the Intermediate School Districts was not available. The amounts shown on the Schedule of Federal Financial Assistance as flow through from the Intermediate School Districts may not be conclusive.

SUTTONS BAY PUBLIC SCHOOL - SUTTONS BAY, MICHIGAN
RECONCILIATION OF FORM R 7120 " GRANT SECTION AUDITOR'S REPORT"
TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

Current Payments Per the Grant Section Auditor's Report (Form R 7120)			\$338,767
<u>Less:</u> <u>State Funded Grants</u>			
Driver Education			(6,486)
<u>Add:</u> Grants Passed Through the Traverse Bay Area Intermediate School District			
Special Education Grants to States (CFDA # 84.027)	\$21,086		
Vocational Education Grants to States (CFDA # 84.048)	155		
Preschool Incentive (CFDA #84.173)	7,028		
Medical Assistance Program Title XIX (CFDA #93.778)	8,833		
Total Grants Passed Through TBAISD			37,102
Direct Aid			
Impact Aid (CFDA# 84.041)	\$658,223		
Indian Education (CFDA# 84.060A)	61,880		
Total Direct Aid			720,103
Entitlement and Bonus Commodities (CFDA# 10.550)			13,124
<u>TOTAL CURRENT YEAR RECEIPTS PER SCHEDULE OF EXPENDITURES</u> <u>OF FEDERAL AWARDS</u>			<u>\$1,102,610</u>

SUTTONS BAY PUBLIC SCHOOLS- SUTTONS BAY, MICHIGAN
SUMMARY OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditor’s report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

☐ Yes ☒ No

Identification of major programs:

CFDA Number(s)
84.041

Name of Federal Program or Cluster
Impact Aid

Dollar threshold use to distinguish between type A and type B programs:

\$ 300,000.00

Auditee qualified as low-risk auditee?

☒ Yes ☐ No

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

There were no prior year findings.



Lewis & Knopf, CPAs, P.C.

Serving You with Trust and Integrity

July 26, 2005

To the Board of Education of
Suttons Bay Public Schools

In planning and performing our audit of the financial statements of Suttons Bay Public Schools for the year ended June 30, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect Suttons Bay Public Schools' ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

The following items that are an immaterial internal control or administrative consideration came to our attention.

CURRENT YEAR FINDINGS

1. Budgets and Budgetary Accounting

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended June 30, 2005, Suttons Bay Public Schools incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated.

FUTURE ISSUES

GASB Statement No. 45 was issued in June 2004 and is effective prospectively in three phases in periods beginning after December 15, 2006. For Suttons Bay Public Schools, the effective implementation date must begin by June 30, 2008. OPEB are defined as postemployment benefits other than pensions that employees earn during their years of service but that they will not receive until after they retire. They include all postemployment healthcare benefits. They also include any other type of benefits that are provided separately from a pension plan, such as life insurance, legal services, and any other benefits that the employer may provide. OPEB exclude any non-healthcare benefits provided through a pension plan.

The basic premise of GASBS No. 45 is that OPEB are earned and should be recognized when the employee provides services, just like wages or salaries paid at the end of each pay period. But because these benefits cannot be used until the employee is no longer working, they are not paid in cash until a date that may extend well into the future.

The District may wish to begin gathering the nonfinancial information needed to generate their first actuarial valuation of OPEB. Information that will be requested by actuaries will be similar to that used for pension benefit calculations and includes:

- * Listing of all benefits provided by the OPEB plan—as the terms are understood by the employer and the plan members. (This would be a good time to work with employees to convert unwritten/understood benefits to written policy.)



Suttons Bay Public Schools

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July 26, 2005

- * Past OPEB claims experience for the covered group—as far back as needed to create a “credible” experience database or as far back as data is available. (Actuaries will need to use a database for a comparable entity if the government is not able to generate its own database.)
- * Census information about individual active and inactive plan participants, including age, sex, length of service, and so forth.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the reportable conditions described above is believed to be a material weakness.

This report is intended for the information of Suttons Bay Public Schools' Board of Education and management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Lewis & Knopf P.C.

LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS